

Minerals Management Service, Interior

§ 203.84

(1) Your application for royalty relief must contain enough information on finances, economics, reservoirs, G&G characteristics, production, and engineering estimates for us to determine whether:

(i) We should grant relief under the law, and

(ii) The requested relief will ultimately recover more resources and return a reasonable profit on project investments.

(2) Your fabricator confirmation and post-production development reports must contain enough information for us to verify that your application reasonably represented your plans.

(b) Applicants (respondents) are Federal OCS oil and gas lessees. Applications are required to obtain or retain a benefit. Therefore, if you apply for royalty relief, you must provide this information. We will protect information considered proprietary under applicable law and under regulations at § 203.63(b) and part 250 of this chapter.

(c) The Paperwork Reduction Act of 1995 requires us to inform you that we may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a currently valid OMB control number.

(d) Send comments regarding any aspect of the collection of information under this part, including suggestions for reducing the burden, to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 5438, 1849 C Street, NW., Washington, DC 20240.

[63 FR 2618, Jan. 16, 1998, as amended at 65 FR 2875, Jan. 19, 2000; 74 FR 46907, Sept. 14, 2009]

§ 203.83 What is in an administrative information report?

This report identifies the field or lease for which royalty relief is requested and must contain the following items:

(a) The field or lease name;

(b) The serial number of leases we have assigned to the field, names of the lease title holders of record, the lease operators, and whether any lease is part of a unit;

(c) Well number, API number, location, and status of each well that has been drilled on the field or lease or

project (not required for non-oil and gas leases);

(d) The location of any new wells proposed under the terms of the application (not required for non-oil and gas leases);

(e) A description of field or lease history;

(f) Full information as to whether you will pay royalties or a share of production to anyone other than the United States, the amount you will pay, and how much you will reduce this payment if we grant relief;

(g) The type of royalty relief you are requesting;

(h) Confirmation that we approved a DOCD or supplemental DOCD (Deep Water expansion project applications only); and

(i) A narrative description of the development activities associated with the proposed capital investments and an explanation of proposed timing of the activities and the effect on production (Deep Water applications only).

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1879, Jan. 15, 2002]

§ 203.84 What is in a net revenue and relief justification report?

This report presents cash flow data for 12 qualifying months, using the format specified in the “Guidelines for the Application, Review, Approval, and Administration of Royalty Relief for End-of-Life Leases”, U.S. Department of the Interior, MMS. Qualifying months for an oil and gas lease are the most recent 12 months out of the last 15 months that you produced at least 100 BOE per day on average. Qualifying months for other than oil and gas leases are the most recent 12 of the last 15 months having some production.

(a) The cash flow table you submit must include historical data for:

(1) Lease production subject to royalty;

(2) Total revenues;

(3) Royalty payments out of production;

(4) Total allowable costs; and

(5) Transportation and processing costs.

(b) Do not include in your cash flow table the non-allowable costs listed at 30 CFR 220.013 or:

§ 203.85

- (1) OCS rental payments on the lease(s) in the application;
- (2) Damages and losses;
- (3) Taxes;
- (4) Any costs associated with exploratory activities;
- (5) Civil or criminal fines or penalties;
- (6) Fees for your royalty relief application; and
- (7) Costs associated with existing obligations (e.g., royalty overrides or other forms of payment for acquiring the lease, depreciation on previously acquired equipment or facilities).

(c) We may, in reviewing and evaluating your application, disallow costs when you have not shown they are necessary to operate the lease, or if they are inconsistent with end-of-life operations.

[63 FR 2618, Jan. 16, 1998, as amended at 63 FR 57249, Oct. 27, 1998]

§ 203.85 What is in an economic viability and relief justification report?

This report should show that your project appears economic without royalties and sunk costs using the RSVP model we provide. The format of the report and the assumptions and parameters we specify are found in the "Guidelines for the Application, Review, Approval and Administration of the Deep Water Royalty Relief Program," U.S. Department of the Interior, MMS. Clearly justify each parameter you set in every scenario you specify in the RSVP. You may provide supplemental information, including your own model and results. The economic viability and relief justification report must contain the following items for an oil and gas lease.

(a) Economic assumptions we provide which include:

- (1) Starting oil and gas prices;
- (2) Real price growth;
- (3) Real cost growth or decline rate, if any;
- (4) Base year;
- (5) Range of discount rates; and
- (6) Tax rate (for use in determining after-tax sunk costs).

(b) Analysis of projected cash flow (from the date of the application using annual totals and constant dollar values) which shows:

- (1) Oil and gas production;

30 CFR Ch. II (7–1–10 Edition)

- (2) Total revenues;
- (3) Capital expenditures;
- (4) Operating costs;
- (5) Transportation costs; and
- (6) Before-tax net cash flow without royalties, overrides, sunk costs, and ineligible costs.

(c) Discounted values which include:

(1) Discount rate used (selected from within the range we specify).

(2) Before-tax net present value without royalties, overrides, sunk costs, and ineligible costs.

(d) Demonstrations that:

(1) All costs, gross production, and scheduling are consistent with the data in the G&G, engineering, production, and cost reports (§§ 203.86 through 203.89) and

(2) The development and production scenarios provided in the various reports are consistent with each other and with the proposed development system. You can use up to three scenarios (conservative, most likely, and optimistic), but you must link each to a specific range on the distribution of resources from the RSVP Resource Module.

§ 203.86 What is in a G&G report?

This report supports the reserve and resource estimates used in the economic evaluation and must contain each of the following elements.

(a) Seismic data which includes:

(1) Non-interpreted 2D/3D survey lines reflecting any available state-of-the-art processing technique in a format readable by MMS and specified by the deep water royalty relief guidelines;

(2) Interpreted 2D/3D seismic survey lines reflecting any available state-of-the-art processing technique identifying all known and prospective pay horizons, wells, and fault cuts;

(3) Digital velocity surveys in the format of the GOM region's letter to lessees of 10/1/90;

(4) Plat map of "shot points;" and

(5) "Time slices" of potential horizons.

(b) Well data which includes:

(1) Hard copies of all well logs in which—

(i) The 1-inch electric log shows pay zones and pay counts and lithologic